

Service Date: December 22, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER Of The Montana	)	UTILITY DIVISION
Public Service Commission's	)	
Investigation of Federal Tax	)	DOCKET NO. 86.11.62 (9)
Reform Impacts on Public	)	
Utility Revenue Requirements.	)	ORDER NO. 5283c

ORDER ACCEPTING STIPULATION

FINDINGS OF FACT

On November 24, 1986, the Montana Public Service Commission (MPSC or Commission) initiated this Docket with an Order to Show Cause, Order No. 5236, that existing rates for public utilities remain just and reasonable following the Tax Reform Act of 1986 (TRA). All respondents were ordered to provide the information required by the Commission's minimum filing requirements on or before February 1, 1987.

Accordingly, on February 2, 1987, Montana Power Company (MPC, Company or Applicant) filed with the Commission its response and motion to dismiss in compliance with Order No. 5236. In that filing, MPC stated that the effects of the TRA did not result in a

need for a decrease in the Company's electric rates and provided information to support that position, based on the historical test period 1985. This filing utilized a 40 percent Federal tax rate, an updated capital structure, and a 12.50 percent return on equity rate to calculate a revenue deficiency of \$2,154,671. The Company made several adjustments and calculations in the same manner as was approved by the Commission in Docket No. 84.11.71, Order No. 5113b, including a Federal Energy Regulatory Commission (FERC) jurisdictional study, a coal costs adjustment, and a loads and resources study. The Company also reflected the annual revenue effect of the basic revenue steps yet to be incorporated into rates under the Commission approved Rate Moderation Plan, approved in Docket No. 84.11.71, Order No. 5113b. Based on its analysis, the Company did not request a rate increase and moved that the Show Cause Order No. 5236 be dismissed as against the Company's electric utility.

On March 4, 1987, the Commission issued Order No. 5236a, which was a preliminary procedural order based on the Commission's findings that preliminary comment on generic legal and policy aspects of the TRA would promote a uniform regulatory approach, while avoiding unnecessary duplication of effort. Specifically, the Commission requested comment on several issues raised by the TRA.

On May 27, 1987, the Commission issued Order No. 5236b, which requested the utilities to answer certain questions concerning the effects on operating results of Statement on Financial Accounting Standards 87 (Statement 87) issued by the Financial Accounting Standards Board (FASB). This request for comments from the utilities in this same TRA Docket was the result

of no respondents addressing this issue in their response to Order No. 5236a.

Based on the Commission's analysis of the utilities' and Montana Consumer Counsel's responses to Order No. 5236a, on June 8, 1987, the Commission issued Order No. 5236c, which addressed each issue of the TRA focused on in Order No. 5236a. In Order No. 5236c, the Commission stated that the direction given in that Order may be applied to the utilities' results of operations filed in Docket No. 86.11.62 (sub 9 for MPC electric) and that such application may result in tariff changes being ordered on an interim and/or final basis.

In Interim Order No. 5283, the Commission, after analyzing the information presented by the Company and in accordance with its findings in its Order No. 5236c, determined that the Company's annual electric revenues should be reduced by \$4,017,000 on an interim basis.

Since that Interim Order, MPC and the Montana Consumer Counsel (MCC) have negotiated a Stipulation in which they agree that a final order in this case should be issued which reduces MPC's annual electric revenues by an additional \$6,500,000. The parties also agreed that MPC will make an electric general rate case filing with this Commission, on or before June 30, 1988. The Stipulation contains other agreements and is attached hereto.

The Commission and its staff have reviewed all of the data filed in this case.

Notice of the proposed stipulation was published, and no comments were received.

The Commission finds that the settlement provides an acceptable means for concluding the inquiry with respect to MPC's electric utility which was begun with the original Order to Show Cause.

The Commission finds that the revenue reduction for MPC ordered in this Order shall be spread to all classes of customers, excluding EEI customers, on an equal percentage basis.

CONCLUSIONS OF LAW

1. MPC furnishes electric service to consumers in Montana and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission. § 69-3-101, MCA.

2. The Stipulation approved herein is an appropriate means of concluding this matter.

3. The reduction in MPC's annual electric revenues as set forth above is just and reasonable as are the other agreements of the parties contained in the attached Stipulation.

4. The stipulated decrease should be made effective for service on and after January 1, 1988.

5. The Commission has afforded adequate notice to all interested parties.

ORDER

The Stipulation between MPC and MCC for the conclusion of this matter is hereby approved.

MPC is hereby ordered to implement decreased rates on January 1, 1988, designed to reduce annual electric revenues on a permanent basis by \$10,517,000 (\$4,017,000 as approved on an interim basis and \$6,500,000 stipulated).

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MPC is to file revised rate schedules pursuant to this Order.

DONE IN OPEN SESSION at Helena, Montana, this 21st day of  
December, 1987, by a vote of 5 - 0 .

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Ann Purcell  
Acting Secretary

(SEAL)

NOTE:        You may be entitled to judicial review in this  
              matter.    Judicial review may be obtained by filing a  
              petition for review within thirty (30) days of the  
              service of this order.    Section 2-4-702, MCA.